



ROBERT W. BAIRD & CO. INCORPORATED

777 EAST WISCONSIN AVENUE

MILWAUKEE WI 53202

414-765-3827 Fax: 414-298-7354

Keith Kolb  
Managing Director  
Public Finance

November 10, 2004

Keith Rake  
Deputy Assistant Commissioner  
Office of the Assistant Commissioner  
Bureau of Public Debt  
Department of Treasury  
P.O. Box 396  
Parkersburg, WV 26101-0396

Re: Proposed Revised SLGS Regulations – NPRM BPD-02-04

Dear Mr. Rake,

This letter addresses certain concerns we have with the above referenced proposed regulations. Specifically we believe that some of the proposed rule changes if implemented in their current form will discourage the use of SLGS and reverse the positive trend discussed below.

At the SLGSafe conference in Indianapolis this summer Cliff Gannett spoke about recent IRS surveys regarding the use of SLGS in advance refunding escrows. He indicated that their surveys demonstrated that an increasing amount of escrows are funded by SLGS and that these escrows were nearly 100% compliant with IRS regulations.

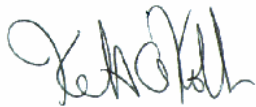
We recommend the use of SLGS to our clients based on the flexibility of the SLGS program despite the loss of approximately five basis points versus open market treasury securities. Current regulations effectively allow an issuer to either pre-subscribe for SLGS before bond pricing with the ability to cancel and then re-subscribe for SLGS after bond pricing up to five to seven days before closing. This specific flexibility is vital to an issuer's decision to purchase SLGS over open market treasury securities despite the yield disadvantage. If the Treasury eliminates the ability to cancel subscriptions a significant advantage of the SLGS program will disappear. Issuers will be forced to purchase open market treasury securities to maximize escrow earnings. Any inefficiency from the use of open market treasury securities can be greatly reduced through the use of a float agreement further enhancing the open market advantages and increasing the enforcement costs of Treasury.

The proposed regulation for mandatory use of the SLGSafe program limits the administrative burden of the multiple cancellations. The cash balance forecasting difficulties caused by cancellations can be reduced by allowing cancellations for subscriptions up to a maximum dollar amount and prohibiting multiple subscriptions for the same bond issue.

The proposal to only allow the purchase of SLGS with the gross proceeds of a bond issue and no longer allow SLGS to be used to comply with applicable provisions of the Internal Revenue Code relating to the tax exemption of interest will also create a significant disincentive to use SLGS. Frequently, bond transactions are paired with cash contributions from debt service funds or debt service reserve funds. This proposed change will require an issuer to purchase open market Treasury securities with these cash contributions. Since the issuer would then have to implement a bidding process for the investment of these funds, the financing will become less efficient. Also the extra effort to bid out the entire escrow would be negligible. Therefore issuers will be more likely to use open market Treasury securities in their escrow especially during a period of negative arbitrage.

Thank you for the opportunity to present our concerns regarding the proposed revised SLGS regulations. We hope this is helpful to you as you consider your options.

Sincerely,

A handwritten signature in dark ink, appearing to read 'Keith Kolb', with a stylized, cursive script.

Keith Kolb  
Managing Director  
Robert W. Baird & Co.

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